

# Vietnam Phoenix Fund Limited

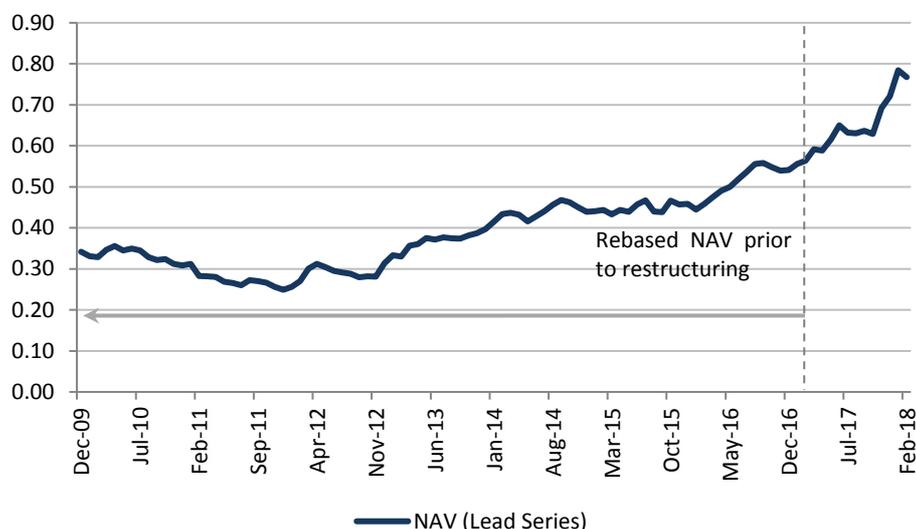
## Monthly Factsheet

28<sup>th</sup> February 2018



### CLASS A – Continuation Shares

NAV Performance (USD)



USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF A</b> <small>(Lead Series)</small>	-2.15	10.88	21.77	6.42	36.1	20.3	18.5	15.4
<b>VNIndex</b>	0.86	17.94	43.18	13.77	58.0	21.1	16.8	12.2
<b>VHIndex</b>	1.62	11.49	23.19	9.32	47.8	11.9	13.5	3.0

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

Top 3 Gainers	Price Change	Contribution to NAV Return
Hoa Phat Group (HPG)	+ 5.9%	+ 0.63%
Vietcombank (VCB)	+ 10.8%	+ 0.23%
Petrolimex (PLX)	+ 1.6%	+ 0.17%

Top 3 Laggards	Price Change	Contribution to NAV Return
FPT Corp (FPT)	- 4.9%	- 0.60%
Vinamilk (VNM)	- 3.7%	- 0.56%
Kinh Bac City (KBC)	- 7.8%	- 0.36%

**Total Net Assets: \$69.10 million**

#### NAV/Share

**Lead Series: \$0.7675**

**Structure: Open-End Fund**

**Liquidity: Monthly**

#### Identifiers

ISIN Code	KYG9363R1056
Bloomberg Ticker	VTNPHXA KY
Sedol	BDHXL2

#### Website:

[www.vietnamphoenixfund.com](http://www.vietnamphoenixfund.com)

#### Top 10 Holdings (%)

Vinamilk	15.3
Hoa Phat Group	13.0
FPT Corp	12.3
Khang Dien House	6.8
Vietnam Enterprise Inv Ltd	6.4
HD Bank	6.0
Mobile World	4.7
Kinh Bac City	4.6
PV Power	3.2
Vinh Hoan Corp	2.8
<b>Total</b>	<b>75.1</b>

#### Sector Allocation (%)

Consumer Products	22.4
Real Estate	18.0
Banks & Financials	14.4
Building Materials	13.7
Information Technology	12.3
Energy Equip & Svcs	5.0
Infrastructure	4.4
Agriculture	3.4
Others*	6.4
<b>Total</b>	<b>100.0</b>

\*Includes Cash & Accruals

#### Asset Breakdown (%)

Listed Equities	99.2
Cash and accruals^	0.8
<b>Total</b>	<b>100.0</b>

^Adjusted to include pending redemptions.

#### Voting Rights

The voting rights of all share classes are proportional to the value of shares at the most recent valuation date. As of 28th February 2018, the aggregate voting rights are 214,444,938.

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### CLASS A – Continuation Shares

#### Fund Manager's Report

The NAV per share of the Class A Shares (Lead Series) decreased by 2.15% in February while the VNIndex rose 0.86% (in USD terms)<sup>1</sup>. Stocks across the banking sector outperformed the market, while blue chip stocks in other sectors such as Vinamilk and FPT Corp declined during the month as capital flows shifted towards the Banking and Real Estate sectors in February.

Year-to-date in 2017, the Financials sector has contributed to more than 60% of the VNIndex's return and represents 29% of the index<sup>1</sup>. As foreign funds flow into the market, banks are perceived as the best proxy to economic growth and usually the most readily investible stocks in terms of liquidity. However, at the current high valuation of 3.5x P/B on average, we believe Vietnamese banks are now fundamentally overvalued relative to banks in other markets (Indonesia 1.7x, Malaysia 1.5x, Singapore and Thailand 1.4x, Philippines 1.3x)<sup>1</sup> and would not be surprised to see a significant correction. Due to our stringent selection process, we are only exposed to a few banks with strong management track record, fairly sound corporate governance, good retail exposure and prudent practices, while avoiding banks with imminent recapitalisation needs due to historical bad loan practices. Going forward, we think the Financials sector will not perform well, giving other sectors that are better priced and have stronger fundamentals the opportunity to catch up.

A few other non-financial stocks also outperformed the market, however we are also underweight these stocks as we do not have high long-term convictions on them. These are typically companies with weak corporate governance or are too heavily commodity driven, thus being susceptible to global commodity price volatility. During market downturns, such as during the last week of January and the first week of February, our portfolio outperformed the market by its overweight positioning in lower-beta and long-term conviction stocks.

The biggest contributor to the portfolio's performance was **Hoa Phat Group (HPG)**, whose share price increased 5.9% in February<sup>1</sup>. The management announced its FY2018 targets with revenue and net profit after tax (NPAT) growth of 19.1% and 0.4% YoY, respectively<sup>2</sup>. The company also plans to pay out a 40% stock dividend (equivalent to a 4-for-10 stock split) for 2017 sometime in mid 2018<sup>2</sup>. In terms of production volume, HPG has set a target of 2.3 million tons of steel products<sup>2</sup>, a 4.5% growth over last year's performance. Note that HPG's management always set conservative annual targets and the company surpasses its targets every year.

**Vietcombank (VCB)** was another outperformer in the portfolio, rising 10.8% this month<sup>1</sup>. VCB reported its 2017 pretax profit with strong growth of 32.2% YoY, surpassing the bank's target growth of 7.3%<sup>2</sup>. Net interest income and net fee and commission income grew by 18.4% YoY and 20.6% YoY respectively, while interest earning assets grew 31.8% YoY<sup>2</sup>.

**Petrolimex (PLX)** stock price increased 1.6% in February<sup>1</sup>. The Fund Manager took the opportunity to enter a position in PLX when energy stocks were down due to a plunge in global oil prices at the beginning of the month. PLX is the largest petroleum distributor in Vietnam and has the most extensive network of retail and agency stations in the country<sup>2</sup>.

Detractors to the portfolio this month were **FPT Corp (FPT)**, **Vinamilk (VNM)**, and **Kinh Bac City (KBC)**.

Both FPT and VNM share prices were affected by the sell-off at beginning of February along with the broad market, but FPT managed to pare some of its losses towards the end of the month. For FY2017, FPT recorded revenue and profit after tax growth of 8% and 41% YoY, respectively<sup>2</sup>. The company also divested a significant stake in its retail and distribution businesses in 2017 so as to allow them to focus more on its technology and telecoms segments<sup>2</sup>.

During the month of February, the Fund participated in **PetroVietnam Power's (POW)** IPO, the second largest power generator in Vietnam via Dutch Auction. Despite the deal being oversubscribed, the Fund was able to secure a sizable allocation at a good price. POW was listed on the Hanoi UpCom on 6th March 2018 and will move listing to either HOSE or HNX within a year.

<sup>1</sup> Source: Bloomberg, 28/02/18

<sup>2</sup> Source: Company announcements

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### CLASS C – Private Equity Shares

USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF C</b>	1.21	-2.83	-0.17	4.61	-1.2	7.1	10.5	9.8

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

#### Fund Manager's Report

The NAV per share of the Class C Shares increased by 1.21% in February.

The Private Equity asset pool contains unlisted investments and other illiquid listed investments. Unlisted investments will be re-valued every six months, or sooner in case of a significant event. The unlisted investments within the pool were last valued by Grant Thornton Vietnam Ltd in December 2017.

**Ha Do Group** (HDG) was the biggest contributor to the portfolio's performance with a share price increase of 14.8% in February<sup>3</sup>. HDG's share price maintained its upward momentum due to the share divestment by the Ministry of Defence at the end of 2017<sup>4</sup>, clearing the overhang on its share price. Investor sentiment regarding the high growth potential of its Centrosa Garden project<sup>4</sup> also improved.

As mentioned in the January factsheet, the merger between **Binh Chanh Construction** (BCI) and **Khang Dien House** (KDH) was approved during KDH's EGM held in early January. BCI's shares were then delisted from the Ho Chi Minh stock exchange in February. Meanwhile, BCI shares in the Class C Shares portfolio are currently in the process of being swapped with KDH shares, which is expected to be completed in March. Thereafter, the Fund Manager will be able to trade these KDH shares.

As mentioned in the shareholder conference call of 27 February, the Fund Manager has engaged security firms to sell the smaller illiquid listed positions. Taking advantage of current elevated market conditions, two of these positions were sold in block trades during March, and further sales are expected in the coming months.

**Net Assets:** \$145.34 million  
**NAV/Share:** \$0.3430  
**Shares Out:** 423,750,000

#### Identifiers

ISIN Code KYG2886W1078  
Bloomberg Ticker VTNPXCY  
Sedol B1FHXT2

#### Website:

[www.vietnamphoenixfund.com](http://www.vietnamphoenixfund.com)

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#### Top 10 Holdings (%)

Greenfeed	27.5
Corbyns International	15.4
NBB Investment Corp	11.6
Anova Corp	10.5
VTC Online	6.1
Khang Dien House	6.1
Anphat Plastic	5.9
Ha Do JSC	5.3
Tien Phong Plastic	3.6
National Seed JSC	2.1
<b>Total</b>	<b>94.1</b>

#### Asset Breakdown (%)

Invested Securities	97.2
Cash and accruals	2.8
<b>Total</b>	<b>100.0</b>

#### Voting Rights

The voting rights of all share classes are proportional to the value of shares at the most recent valuation date. As of 28th February 2018, the aggregate voting rights are 214,444,938.

<sup>3</sup> Source: Bloomberg, 28/2/18

<sup>4</sup> Source: Company announcements

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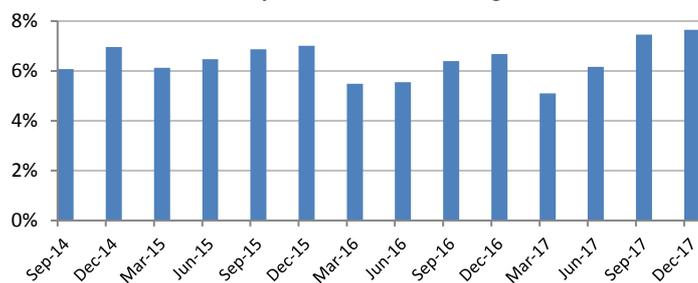
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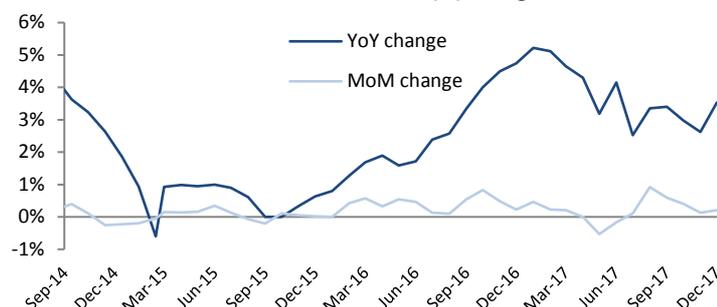


### Market Update

Quarterly GDP Growth - % change YoY



Consumer Price Index, (%) change



Vietnam Economic Indicators

		2015	2016	2017	2018F*
Real GDP Growth	%	6.7	6.2	6.7	6.5
CPI	%	0.9	4.7	2.6	4.0
Export Growth	%	8.1	9.0	20.6	15.0
Import Growth	%	12.0	5.2	21.3	13.5
Trade Balance	\$bn	-3.5	2.7	2.3	2.0
Registered FDI	\$bn	15.6	21.0	35.9	-
FX Reserve	\$bn	31.0	41.0	52.0	62.0
USDVND		22,540	22,761	22,968	22,700

\*Source: Duxton estimates

		Mkt Cap (USD bn)	2018 Forward P/E	PEG	Div Yield	ROE
Indonesia	JCI	535	14.6	1.5	2.0%	17.7%
Thailand	SET	582	14.9	1.6	2.8%	11.7%
Singapore	FSSTI	447	13.2	1.7	3.6%	10.5%
Malaysia	FBMKLCI	288	15.4	2.4	3.3%	10.6%
Philippines	PCOMP	198	16.3	1.5	1.6%	11.8%
<b>Vietnam</b>	<b>VNINDEX</b>	<b>133</b>	<b>16.8</b>	<b>0.8</b>	<b>1.4%</b>	<b>17.0%</b>

The VNIndex rose 0.86% MoM<sup>6</sup> (USD terms) in February, driven mainly by large cap banking stocks VCB, BID, CTG, VPB and conglomerate Vingroup (VIC). However, the gains were pared by declines in large cap stocks from other sectors such as VNM, ROS, SAB, GAS and VRE. The stock market tumbled in the first week of February along with other global stock markets on news that the U.S Federal Reserve was looking to implement three interest rate hikes this year. However, the market recovered strongly after the Tet Holiday, with investors viewing the pullback as an attractive opportunity to secure some stocks at a discount.

Vietnam's Industrial Production Index in the first two months of 2018 increased 15.2%<sup>5</sup> over the same period last year, thanks to the manufacturing and processing industry which grew 17.7% YoY<sup>5</sup>, contributing 13.2 percentage points to the overall growth rate. Electronics and steel industries led the manufacturing push with contribution from Samsung Display and Formosa Steel<sup>5</sup>. Correspondingly, the Purchasing Manager's Index for Vietnam rose to 53.5<sup>5</sup>, reflecting manufacturers' optimism on client demand.

The Consumer Price Index (CPI) increased 0.73% MoM and 2.90% YoY<sup>5</sup> in February. The increase was mainly due to rising consumer demand for goods and services as the country celebrated the week-long Tet holiday. In light of this, CPI in March is expected to be subdued, given the reduction in domestic gasoline prices this month and strict oversight by the Vietnamese government in curbing inflation<sup>5</sup>.

According to the State Bank of Vietnam (SBV), credit growth reached 1.0% YTD, slower than the 4.0% YTD growth last year<sup>7</sup>. Foreign denominated loans have decreased, with loans in VND now accounting for 92% of the total industry loan book<sup>7</sup>, compared to 91.5% at the end of 2017. The banking sector's Loan to Deposit Ratio (LDR) increased to 88%, compared to 85.5% during the same period last year<sup>7</sup>.

New listings and further stake divestments from State-owned Enterprises (SOE) are likely to fuel market sentiment for 2018. The month of March will witness three new SOE listings - Binh Son Refinery, PV Oil and PV Power, which have already begun trading on the Ha Noi UPCoM exchange. This progress signals a promising start to the State's divestment plan for the year and will help pave the way for more upcoming SOE IPOs and listings. New developments regarding global trade have also materialised, specifically the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was signed on March 8<sup>th</sup>. Though not as comprehensive as the original TPP, it remains largely beneficial to Vietnam.

<sup>5</sup> Source: The General Statistics Office of Vietnam

<sup>6</sup> Source: Bloomberg, 28/02/18

<sup>7</sup> Source: State Bank of Vietnam

# Vietnam Phoenix Fund Limited

## Monthly Factsheet

28<sup>th</sup> February 2018



### About Duxton Asset Management Pte Ltd

Duxton Asset Management is a boutique asset manager with a dual focus: Agriculture and Asian Emerging Markets. A carve-out from one of the world's foremost financial institutions, Duxton is regulated by the Monetary Authority of Singapore as a holder of a Capital Markets Services License to conduct the regulated activity of fund management for accredited investors and institutional investors. The Duxton Group has approximately USD 570 million worth of assets under management and advice as of December 2017.

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\*Formerly known as DWS Vietnam Fund Limited. The Fund was renamed to Vietnam Phoenix Fund Limited following the resignation of Deutsche Asset Management (Asia) Limited as Investment Manager on 30 September 2016. Duxton Asset Management has since been appointed the Investment Manager of Vietnam Phoenix Fund Limited.

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